



## Cutting Federal Spending Must Be a Top Priority

by John Hendrickson

In order to achieve economic recovery in the short term — and especially in the long term — the size and scope of government must be cut substantially. The federal budget is over \$3 trillion, the nation is facing an \$11 trillion national debt, and the deficit for this year is \$1.8 trillion. The cause of this problem is lack of fiscal discipline and, more importantly, the failure to uphold the Constitution. President Barack Obama and Democrat leaders in Congress are pushing a massive federal agenda that goes farther than the \$787 billion stimulus bill, financial bailouts, and government takeovers of certain parts of the auto industry. It also includes a push to transform the United States through radical environmentalism and socialized health care. The President's healthcare plan would increase spending by at least \$1 trillion.<sup>1</sup> In order to ensure the fiscal health of the nation, lawmakers must work to reduce the leviathan the federal government has become. In order to do this, lawmakers as well as the American public need to adhere to constitutional principles.

The United States has drifted considerably from the original principles of the American founding, and in order to reverse the tide of modern liberalism/progressivism that is eroding constitutional government, a cultural and moral change is needed in the nation to restore first principles. President Obama and Democrat leaders in Congress are pushing for a new era of progressive reform. The current recession has provided the Administration with an opportunity to launch a new wave of reform, that is, expanding the federal administrative state. Gene Healy of the CATO Institute recently wrote that “the President is hell-bent on further extending government control over Americans' health care, and the administration-backed cap and trade bill,” which will create a national building code.<sup>2</sup> This is on top of the Administration's takeover of the auto industry, devising new regulatory measures and agencies, and creating a number of bureaucratic czars to regulate the economy.

The Congressional Budget Office has recently issued a report on the long-term budget outlook which states that “under current law, the federal budget is on an unsustainable path — meaning that federal debt will continue to grow much faster than the economy over the long run.”<sup>3</sup> The main problem is entitlements, which include Social Security, Medicare, and Medicaid. Government spending on the three entitlement programs “is expected to roughly double from \$1.27 trillion in FY08 to \$2.42 trillion by FY18.”<sup>4</sup> The federal government cannot proceed on the current course of spending or add additional pressures to the budget through additional entitlements such as healthcare.

“Obama is as dedicated to enhancing federal power as any President in 50 years,” noted Healy.<sup>5</sup> In the present crisis, President Obama and his Keynesian economic policies are being associated with President Franklin D. Roosevelt's New Deal. *Time* magazine recently ran an issue with the cover heading “What Barack Obama Can Learn from FDR.”<sup>6</sup> Roosevelt's New Deal was a mixture of government programs to end the Depression and transform America by instituting various reforms and new modes of regulation. President Obama has a similar goal to use the force of the federal government to lift the nation out of recession and at the same time bring about “progressive change.” As with President Roosevelt during the Depression, President Obama is emphasizing economic security to heal the fears of the current recession. Ideas certainly have consequences, and perhaps President Obama and all politicians could learn a valuable lesson from President Warren G. Harding who is considered by elitist academics as a “failed President.” Harding was elected in 1920 on a campaign platform famously labeled “a return to normalcy.” Harding

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had called for a “return to normalcy” from the “progressive” policies of President Woodrow Wilson’s administration. The United States was also facing an economic crisis in 1920 as the United States moved from a wartime economy to a civilian economy. During the recession “the estimated gross national product plunged 24 percent from \$91.5 billion in 1920 to \$69.6 billion in 1921, and the number of unemployed jumped from 2.1 million to 4.9 million.”<sup>7</sup>

President Harding and Secretary of the Treasury Andrew Mellon responded by instituting a program of attacking government spending, reducing the size of government, and cutting taxes. Both Harding and Mellon worked on reducing the national debt. The objective was to solve the recession by constitutional, limited-government means. The result was an economic recovery by 1922 and the start of the roaring twenties or Coolidge prosperity. As Jim Powell noted:

Federal spending was cut from \$6.3 billion in 1920 to \$5 billion in 1921 and \$3.2 billion in 1922. Federal taxes fell from \$6.6 billion in 1920 to \$5.5 billion in 1921 and \$4 billion in 1922...The federal government paid off debt, which had been \$24.2 billion in 1920, and it continued to decline until 1930...The unemployment rate continued to decline, reaching an extraordinary low of 1.8 percent in 1926.<sup>8</sup>

Calvin Coolidge, who became President after Harding’s death, continued the economic program. Coolidge also retained Mellon as Treasury Secretary and they continued to pursue limited-government policies. The Coolidge Administration had a budget surplus each year, and substantial tax reform was achieved.

President Harding did not believe in using a crisis to achieve “progressive” reform, nor did he believe that the federal government should go beyond constitutional principles. President Obama on the other hand is committed to following the New Deal rather than the politics of normalcy. President Obama, just like Roosevelt, wants to launch a new “progressive era” of reform that will have lasting implications on the economy and Constitution. Charles Kessler noted that President Obama’s “agenda for national health care, draconian environmental taxation and regulation, and the steady expansion of government was already in place long before the economy tanked. It was in the Democratic Party platform, under H for Hope. Now it’s marketed under F for Fear.”<sup>9</sup>

Ideas do have consequences and the Administration, Congress, and the American people must realize the fiscal danger the nation is facing. President Harding, President Coolidge, and Secretary Mellon proved that following constitutional, limited-government policies work in times of economic crisis. In his Inaugural Address, Warren Harding warned the nation that a dangerous tendency is to expect too much from government. The nation must heed Harding’s warning and return to constitutional principles.

#### Endnotes:

<sup>1</sup>Doug Bandow, “What’s a Trillion Dollars Among Friends?” *Cato-at-Liberty*, Cato Institute <<http://www.cato-at-liberty.org/2009/06/16/whats-a-trillion-dollars-among-friends/>> (June 17, 2009).

<sup>2</sup>Gene Healy, “Obama’s Statist Ambitions,” CATO Institute, June 30, 2009, <[http://www.cato.org/pub\\_display.php?pub\\_id=10321](http://www.cato.org/pub_display.php?pub_id=10321)> (June 30, 2009).

<sup>3</sup>Congressional Budget Office, *The Long-Term Budget Outlook*, June 2009, <[http://www.cbo.gov/ftpdocs/102xx/doc10297/SummaryforWeb\\_LTB.pdf](http://www.cbo.gov/ftpdocs/102xx/doc10297/SummaryforWeb_LTB.pdf)> (June 30, 2009).

<sup>4</sup>Chris Edwards, “Cutting Federal Spending,” in the *CATO Handbook for Policymakers* 7th edition, CATO Institute, Washington, D.C., 2008, p. 49.

<sup>5</sup>Healy.

<sup>6</sup>*Time*, “Annual Making of America Issue,” July 6, 2009.

<sup>7</sup>Jim Powell, “Not-So-Great Depression,” Cato.org, January 7, 2009, Cato Institute, <[http://www.cato.org/pub\\_Display.php?pub\\_id=9880](http://www.cato.org/pub_Display.php?pub_id=9880)> (June 30, 2009).

<sup>8</sup>Ibid.

<sup>9</sup>Charles Kessler, “The New New Deal,” *Claremont Review of Books*, Spring 2009, p. 3.

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